



U.S. Commercial Service New Zealand Market Research PET PRODUCTS

PREPARED BY:

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SUMMARY:

The pet sector, comprised of pet food, pet accessories and pet services, is a multi-million dollar industry that is experiencing strong growth. New Zealand's pet product retail sales totaled approximately US\$180 million in 2004 with pet accessories showing the greatest growth. According to industry sources, the pet products market in New Zealand is under-developed in comparison to other countries. Local consumer trends follow international trends closely: consumer indulgence is evident; pet owners want to treat their pets. Innovative products and a wide selection are key purchasing factors and companies that can offer these will realize the greatest chance of success.

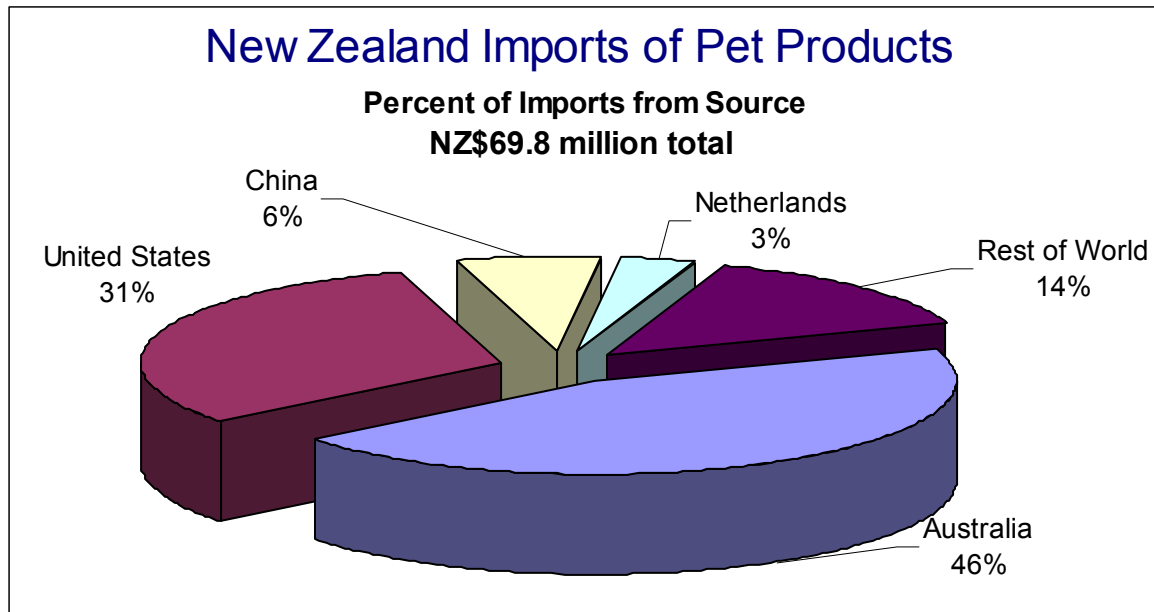
New Zealanders value pet ownership. Approximately 59% of New Zealand households share their homes with at least one cat or dog. Industry estimates of this country's two most popular pets indicate there between 850,000 to 1.1 million cats and 450,000 to 800,000 dogs in New Zealand. Other popular pets include birds, fish, guinea pigs, horses, rabbits and rodents. New Zealand's pet sector is small but very competitive and characterized by two distribution channels: supermarket chains and pet retail specialists.

MARKET OVERVIEW:

- Supermarkets are currently the largest retailers of pet products.
- Pet retail specialists (increasingly vets are including pet retail in their practices) are expanding around New Zealand. Pet retail specialists are leading the growth in pet retail by offering service and expert advice. Pet retailers tend to offer a wider range of pet products than supermarkets.
- New Zealand sales of pet food totaled US\$162.5 million in 2004. (86% of sales were distributed through supermarkets).
- In 2004, accessory sales totaled approximately US\$18 million.

- Masterpet, a Wellington-based company, has a 75% market share of the grocery pet accessories market and distributes 7,500 products through the Masterpet (specialist and vets) brand, and several hundred through the Vitapet (supermarket) brand.

IMPORT MARKET:



Source: NZ Statistics

- Australia is New Zealand's leading source of pet product imports (46% market share).
- U.S. market share for this period was 31.4%, representing an increase over the previous year.

The definition of "pet products" includes the categories below and the accompanying statistics compiled from the following HS Tariff Codes. All of these products carried a New Zealand tariff (duty) rate of seven percent:

		<u>Duty Rate:</u>
230910	Dog and Cat Food for Retail Sale	7%
23090	Animal Feed (not Cat/Dog) for Retail Sale	7%
4201	Saddlery, Harnesses, Traces, Leads	7%
950349	Toys representing animals/non-human for pets	7%

COMPETITION:

A large amount of pet food is sold in a fresh, refrigerated form, often sold in packaging resembling bulk sausage. There are a number of local companies specializing in manufacturing pet meat and chilled "dog rolls" including Masterfoods New Zealand (owned by Mars Incorporated). New Zealand pet product exports are predominantly pet

food and totaled US\$100 million in 2003. In that year, more than half of New Zealand's pet product exports were to Australia followed by the United States (24%).

BEST PROSPECTS:

Among the range of pet products, the following have the best prospects for sales in New Zealand:

- Pet food differentiated by stage of life: Pet food designed to meet the dietary needs of younger or older animals, or some other subgroup (active, less active). Masterpet distributes Iams, including its Eukanuba brand. The addition of dental health components to pet adult life products is a recent marketing distinctive.
- Dried pet food for both cats and dogs is the fastest growing segment of the pet food market. There is a shift towards nutrition and premium products as well as owner convenience e.g. single serving products.
- Dog control products: Similar to European cultures, dogs are more likely to be found in public places in New Zealand. Dog control, particularly of breeds considered potentially dangerous, has become a societal issue nationwide and has required muzzling certain breeds in public places. Innovative products that help control dogs from attacking or wandering will find a strong market reception.
- Pet waste disposal: Local government regulations and penalties insure a permanent market for products that help owners clean up after their dogs. Occasionally, the buyers are local government (councils) who provide plastic bags for dog owners.

MARKET ACCESS:

- Pet food imports must comply with local regulations. The New Zealand Food and Safety Authority administers legislation covering pet food:
<http://www.nzfsa.govt.nz/animalproducts/subject/petfood/index.htm>
- The majority of goods now imported into New Zealand are tariff-free. New Zealand Customs offers a working tariff online:
<http://www.customs.govt.nz/library/working+tariff+of+new+zealand>
- All goods imported into New Zealand are liable for a 12.5% Goods and Services Tax (GST).
- Prohibited imports that may affect this sector include hair or bristle from animals including goods that incorporate hair or bristle; trout and trout products.
- There are no importing licensing requirements.
- Products must comply under Consumer Guarantees Act, 1993 and Fair Trading Act, 1996: <http://www.consumeraffairs.govt.nz/businessinfo/cga/index>

MARKET ENTRY:

The U.S. Commercial Service in New Zealand advises any American pet products manufacturer to make thorough market research part of its market entry strategy. We are able to provide more specific advice and market intelligence based on individual company and product characteristics. Please see our contact details below.

TRADE EVENTS:

Event: Pet Industry Association Conference
Date: March 15-16, 2005
Venue: Royal Lakeside, Novotel, Rotorua, New Zealand
Show contact: Pet Industry Association of New Zealand
Phone: 64 (9) 845-3550
Email: pia@retail.co.nz

OTHER RESOURCES:

Pet Industry Association of New Zealand
C/- New Zealand Retailers Association
Ph: 64 (4) 472-3733
Fax: 64 (4) 472-1071

Equestrian Supply Industry Association
C/- New Zealand Retailers Association
PO Box 41-076
St Lukes, Auckland
New Zealand
Ph: 64 (9) 845-3550
Fax: 64 (9) 845-3550
Email: esia@auckland.retail.org.nz

CONTACT US:

If you would like to discuss doing business in New Zealand or would like any other information on the New Zealand market, we would like to hear from you. Please contact Janet Coulthart, Commercial Specialist with the U.S. Commercial Service, based in the United States Embassy in Wellington at email: Janet.Coulthart@mail.doc.gov. In addition please visit our website for further information on programs offered by the U.S. Commercial Service in New Zealand: www.uscommercialservice/newzealand